



June 8, 2009

Town Board of Trustees
Town of Frederick
401 Locust Street
Frederick, Colorado 80530

We have audited the financial statements of the Town of Frederick (the "Town") for the year ended December 31, 2008, and have issued our report thereon dated May 8, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 28, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with our assistance, and your oversight, are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our planning communication letter dated April 27, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the depreciable lives of capital assets. Depreciable lives have been estimated based on historical experience with similar assets used for similar purposes. We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.



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Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any disclosures that were particularly sensitive.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The misstatements listed in the attached schedule of Adjusting Journal Entries detected as a result of audit procedures were corrected by management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2009 and signed on that date.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Town Board of Trustees and management of the Town of Frederick and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Watkins & Schommer, Inc.
Certified Public Accountants

TOWN OF FREDERICK
GENERAL FUND
Adjusting Journal Entries
for the period ended December 31, 2008

Account #	Account Name / Description	Debits	Credits
12/31/2008	<u>AJE 1</u>		
110-00-102	CASH IN BANK		33,776.74
110-00-120	MARKET VALUE ADJUSTMENT	207,623.62	
310-05-213	UNREALIZED (GAIN) LOSS ON INVESTMENTS		207,623.62
310-05-220	REIMBURSED EXP	33,776.74	
TO ADJUST INVESTMENT COST TO AGREE WITH WORKPAPER A-3			
	Totals	<u>241,400.36</u>	<u>241,400.36</u>

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TOWN OF FREDERICK
STREET & ALLEY FUND
Adjusting Journal Entries
for the period ended December 31, 2008

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Account #	Account Name / Description	Debits	Credits
12/31/2008	<u>AJE 1</u>		
320-01-250	PROCEEDS FROM CAP ASSETS		26.00
320-01-215	MISCELLANEOUS	12,000.00	
420-04-090	CAPITAL OUTLAY		12,000.00
420-04-011	SUPPLIES	26.00	
TO ADJUST THE COST OF ASSETS ACQUIRED BY CAPITAL LEASE TO AGREE WITH INFORMATION ON JD LEASE ON W/P M-7			
	Totals	<u>12,026.00</u>	<u>12,026.00</u>

TOWN OF FREDERICK
ROAD ASSESSMENT FUND
Adjusting Journal Entries
for the period ended December 31, 2008

Account #	Account Name / Description	Debits	Credits
12/31/2008	<u>AJE 1</u>		
120-00-102	CASH IN BANK	74,907.00	
421-01-030	STREET CONSTRUCTION		74,907.00
TO CORECT FOR CLIENT ENTRY POSTED TWICE IN GL PER MY CONVERSATION WITH MARCIA & REVIEW OF ORGINAL ENTRIES IN THE GL			
	Totals	<u>74,907.00</u>	<u>74,907.00</u>

TOWN OF FREDERICK
WATER FUND
Adjusting Journal Entries
for the period ended December 31, 2008

Account #	Account Name / Description	Debits	Credits
12/31/2008	AJE 1		
440-02-030	03 BOND - PRINCIPAL		139,200.00
440-02-010	78 BOND - PRINCIPAL		16,320.00
240-00-285	78 BOND PAYABLE	17,000.00	
240-00-288	03 REFUNDING BONDS PAYABLE	145,000.00	
440-02-020	78 BOND - INTEREST	125.84	
440-02-040	03 BOND - INTEREST		176.89
240-00-213	ACCRUED INTEREST PAYABLE	698.53	
340-06-001	TRANSFER FROM EVANSTON WATER FUND		7,127.48

TO RECLASSIFY 2008 PRINCIPAL PAYMENTS AND RECORD TRANSFER FROM EVANSTON WATER THEIR SHARE OF THE 2008 PAYMENTS

12/31/2008	AJE 2		
340-01-020	PLANT INV FEES	333,000.00	
340-01-045	WATER TAP FEES	24,000.00	
440-01-070	PLANT INV.		333,000.00
240-00-802	CONT. CAP. - TAPS		24,000.00

TO RECLASSIFY 2008 TAPS SOLD AND FUND TRANSFERED TO CWCWD FOR THEIR SHARE OF THESE TAP FEES

12/31/2008	AJE 3		
140-00-152	WATER SYSTEM	168,650.00	
240-00-802	CONT. CAP. - TAPS		168,650.00

TO RECLASSIFY TO THE WATER FUND FROM THE WATER CAPITAL IMPROVEMENT FUND THE 2008 DEVELOPER CONTRIBUTIONS

12/31/2008	AJE 4		
140-00-164	CONST IN PROG - NISP	72,271.00	
240-00-802	CONT. CAP. - TAPS		72,271.00

TO RECLASSIFY FROM THE WATER SHARE FUND THE TOWN'S SHARE OF 2008 NISP PAYMENTS

12/31/2008	AJE 5		
140-00-110	CASH W/COUNTY TREASURER		42,956.00
140-00-116	TAXES RECEIVABLE	42,956.00	

TO CORRECT CLIENT POSTING ERROR FOR CHANGE IN PROPERTY TAXES RECEIVABLE. ENTERED INTO ACCOUNT 110 AND SHOULD BE ACCOUNT 116

Account #	Account Name / Description	Debits	Credits
12/31/2008	AJE 6		
440-02-110	AMORTIZATION	4,755.21	
140-00-175	03 BOND ISSUE COSTS		4,755.21
TO WRITE OFF REMAINING BOND ISSUE COSTS. FINAL PAYMENT WAS MADE DURING 2008 PER W/P S-1			
12/31/2008	AJE 7		
440-01-105	WATER ASSESS - LOWER BOULDER	35,391.87	
140-00-118	ACCTS REC - NEW CONS LOWER BLDR DITCH		35,391.87
TO ADJUST RECEIVABLE TO AGREE WITH DETAILS ON WORKPAPER C-4 AND RECORD 2008 ASSESSMENT EXPENSE			
12/31/2008	AJE 8		
440-01-030	ENGINEERING FEES		52,845.62
440-01-090	CAPITAL OUTLAY		360,158.07
140-00-152	WATER SYSTEM	413,003.69	
TO RECLASSIFY COSTS ASSOCIATED WITH RAW WATER DISTRIBUTION SYSTEM M-2			
12/31/2008	AJE 9		
140-00-150	INVESTMENT - CENTRAL WELD	20,000.00	
140-00-152	WATER SYSTEM		28,000.00
240-00-802	CONT. CAP. - TAPS	8,000.00	
TO RECORD THE FAIR VALUE OF WATER RECEIVED DURING 2008 PER W/P M-3 & RECLASSIFY WATER VALUE FROM WATER SYSTEM TO WATER RIGHTS			
12/31/2008	AJE 10		
440-02-100	DEPRECIATION	276,559.00	
140-00-171	A/D - SYSTEM		260,067.00
140-00-172	A/D - EQUIPMENT		15,292.00
140-00-173	A/D - BUILDING		1,200.00
TO RECORD 2008 DEPRECIATION EXPENSE PER W/P M-4			
12/31/2008	AJE 11		
140-01-214	SOFTWARE		37,425.00
140-00-130	DEPOSITS	37,425.00	
TO RECLASSIFY DEPOSIT WITH CASELLE FOR NEW SOFTWARE TO BE INSTALLED DURING 2009			

Account #	Account Name / Description	Debits	Credits
12/31/2008	<u>AJE 12</u>		
140-00-155	GENERAL EQUIPMENT	14,963.72	
140-00-152	WATER SYSTEM		14,963.72
TO RECLASSIFY THE COST OF THE SERVER TO EQUIPMENT - WAS INITIALLY RECORDED IN THE WATER SYSTEM			
	Totals	<u>1,613,799.86</u>	<u>1,613,799.86</u>

TOWN OF FREDERICK
WATER SHARE FUND
Adjusting Journal Entries
for the period ended December 31, 2008

Account #	Account Name / Description	Debits	Credits
12/31/2008	<u>AJE 1</u>		
442-01-060	NISP		72,271.00
242-00-239	CONTRIBUTED CAPITAL	72,271.00	
TO RECLASSIFY TO THE WATER FUND THE 2008 MONIES INVESTED IN THE NISP PROJECT			
12/31/2008	<u>AJE 2</u>		
342-01-030	WATER SHARE FEES	16,800.00	
242-00-239	CONTRIBUTED CAPITAL		16,800.00
TO RECLASSIFY TO THE WATER FUND THE WATER SHARE FEES RECEIVED BY THE TOWN DURING 2008			
Totals		<u>89,071.00</u>	<u>89,071.00</u>

TOWN OF FREDERICK
WATER CAPITAL IMPROVEMENT FUND
Adjusting Journal Entries
for the period ended December 31, 2008

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Account #	Account Name / Description	Debits	Credits
12/31/2008	<u>AJE 1</u>		
341-01-025	FRED PLANT INV. FEES	174,150.00	
341-01-035	CAPITAL CONTRIBUTIONS	28,000.00	
241-00-239	CONTRIBUTED CAPITAL		202,150.00
TO RECLASSIFY 2008 CAPITAL CONTRIBUTIONS			
12/31/2008	<u>AJE 2</u>		
441-01-046	RAW WTR SYSTEM - PRINCIPAL		39,994.16
241-00-385	NOTE PAYABLE	39,994.16	
TO RECLASSIFY 2008 PRINCIPAL PAID ON WATER NOTE PAYABLE			
12/31/2008	<u>AJE 3</u>		
441-01-025	DEDICATED LINES		168,650.00
241-00-239	CONTRIBUTED CAPITAL	168,650.00	
TO RECLASSIFY DEVELOPER DEDICATED WATER LINES TO WATER FUND			
Totals		410,794.16	410,794.16

TOWN OF FREDERICK
EVANSTON WATER FUND
Adjusting Journal Entries
for the period ended December 31, 2008

Account #	Account Name / Description	Debits	Credits
12/31/2008	<u>AJE 1</u>		
444-02-010	78 BOND PRINCIPAL		680.00
444-02-020	78 BOND INTEREST		480.00
444-02-046	93 BOND PRINCIPAL		5,800.00
444-02-048	93 BOND INTEREST		167.48
444-90-224	TRFER TO FRED WTR FUND	7,127.48	
TO RECLASSIFY 2008 PRIN & INTEREST PAYMENTS ALLOCATED TO THE EVANSTON WATER FUND FOR BUDGET PURPOSES AND THE LIABILITY IS CARRIED IN THE FREDERICK WATER FUND			
Totals		<u>7,127.48</u>	<u>7,127.48</u>

TOWN OF FREDERICK
ELECTRIC ENTERPRISE FUND
Adjusting Journal Entries
for the period ended December 31, 2008

Account #	Account Name / Description	Debits	Credits
12/31/2008	AJE 1		
150-00-111	ELECTRIC SYSTEM	244,723.50	
250-00-240	CONTRIBUTED CAPITAL		244,723.50
TO RECORD IN THE ELECTRIC FUND CAPITAL ASSET IMPROVEMENTS FROM DEVELOPER AND THE TOWN'S CAPITAL IMPROVEMENT FUND			
12/31/2008	AJE 2		
150-00-111	ELECTRIC SYSTEM	13,404.00	
450-01-090	CAPITAL OUTLAY		13,404.00
TO RECLASSIFY 2008 CAPITAL ASSETS ADDITIONS			
12/31/2008	AJE 3		
150-00-111	ELECTRIC SYSTEM		27,306.00
150-00-171	A/D - SYSTEM	27,306.00	
TO WRITE OFF COST AND ACCUM DEPRECIATION OF EQUIPMENT SOLD DURING 2008			
12/31/2008	AJE 4		
450-90-300	DEPRECIATION	1,449,193.00	
150-00-171	A/D - SYSTEM		142,955.00
150-00-173	A/D - BUILDING		1,964.00
TO RECORD 2008 DEPRECIATION EXPENSE PER W/P M-5			
12/31/2008	AJE 5		
460-90-300	DEPRECIATION	3,207.00	
160-00-171	A/D - SYSTEM		2,620.00
160-00-173	A/D - BUILDING		587.00
TO RECORD 2008 DEPRECIATION EXPENSE PER W/P M-5			
Totals		1,737,833.50	433,559.50

Account #	Account Name / Description	Debits	Credits
12/31/2008	AJE 1		
361-01-015	CAPITAL IMPROVEMENT FEES	14,400.00	
361-01-035	CAPITAL CONTRIBUTIONS	47,323.00	
461-01-090	CAPITAL OUTLAY		334,030.50
461-01-025	DEDICATED LINES		47,323.00
261-00-240	CONTRIBUTED CAP - DEVEL	319,630.50	
TO RECLASSIFY 2008 CAPITAL CONTRIBUTIONS AND CAPITAL ASSETS ADDITIONS TO THE ELECTRIC FUND - TRACKED IN THIS FUND TO ASSIST THE TOWN WITH THEIR BUDGET MANAGEMENT			
12/31/2008	AJE 2		
161-00-102	CASH IN BANK		74,907.00
461-01-090	CAPITAL OUTLAY	74,907.00	
TO RECORD CLIENT JOURNAL ENTRY TO CORRECT ITEM POSTED TWICE IN THE ACCOUNTING RECORDS PER MY CONVERSATION WITH MARCIA AND REVIEW OF PRIOR ENTRIES			
Totals		456,260.50	456,260.50